

MEMO

DATE: December 14, 2006

TO: Regional Council
Community, Economic and Human Development Committee

FROM: Ping Chang, Program Manager, Performance Assessment and Monitoring
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SUBJECT: Highlights of the 2006 State of the Region

BACKGROUND:

Staff will present highlights of the 2006 State of the Region Report which is scheduled for release through a press conference at 11:00 am, December 14, 2006, at SCAG downtown Los Angeles offices.

Since 1998, SCAG has published a *State of the Region* report annually. Staff has prepared the report under the guidance of the Benchmarks Task Force. The current membership of the Benchmarks Task Force is included in Attachment 1. In addition, the process for last year's 2005 *State of the Region* is included in Attachment 2 for your information since the 2006 report follows a similar process.

The *State of the Region* reports annually on a series of indicators about our region's performance. A primary objective is to assist members of the Regional Council assess how the region is performing in meeting the goals in the *Regional Comprehensive Plan and Guide*. Information on the region's performance has also been widely disseminated to assist public officials, business and community leaders in developing appropriate strategies to improve our communities.

The 2006 *State of the Region Report* provides an assessment on how our six-county region performs on issue areas including, for example, Population, Economy, Housing, Transportation, Environment, Education and Safety. The Report also compares the performance of our region with other large metropolitan regions in the nation. Based on the information prepared by staff, the Benchmarks Task Force also develops a Report Card for our region.

Highlights of findings of the *2006 State of the Region Report* include the following:

1. Population

- In 2005, the region continued to grow faster than the rest of the nation reaching 18.2 million. Population increase of 220,000 people in the region accounted for about 9 percent of the total growth in the nation.
- Since 2001, population growth in the region has been reduced from 350,000 (over 2 percent growth rate) to 220,000 (1.2 percent) due to increased domestic outmigration.
- Riverside County achieved the second fastest growth rate within the state in 2005 while Los Angeles County had the largest increase in absolute numbers.
- Since 2000, about 53 percent of the growth was due to natural increase (i.e. births over deaths), 42 percent was from foreign immigration and 5 percent from net domestic migration. Different sources of growth contributed very differently among counties in the region.
- Demographic transformation processes continued through 2005 including, for example, the increasing share of Hispanic population, a declining share of the new immigrants (arrived within the last 10 years), and a growing share of the settled immigrants (arrived more than 10 years ago).

2. The Economy

- In 2005, the region's job market showed broad-based improvements from the previous year. Total payroll jobs increased almost 120,000 jobs (1.7 percent) in 2005 after gaining 100,000 (1.5 percent) in 2004.
- The economic recovery and expansion:
 - on the one hand, continued to be supported by the high level activities in residential construction and investment,
 - on the other hand, was limited by the sharp increase in energy prices and corresponding higher level of cost of living.
- Professional services sector was the leading generator of new jobs in 2005 followed by construction and retail trade. Job losses in manufacturing in 2005 were stabilized.
- Unemployment rate in the region declined from 6 to 5 percent between 2004 and 2005 and was the lowest since 1988.
- Real average payroll per job (after adjusting for inflation) declined by 1.6 percent in 2005, after increasing by 1.7 percent in 2004.
- Real per capita income is estimated to increase up to 1 percent in 2005, slightly below the national average. Between 2000 and 2004, real per capita income in the SCAG region improved from 82% to 85% when comparing with the average of the 17 largest metropolitan regions in the nation. However, the region continued to rank last in per capita income among the 17 largest metropolitan regions.
- Real median household income in the region declined slightly by 0.5 percent in 2005. Since 2000, real median household income increased by only 2 percent while the nation lost by 1 percent.

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- About 14 percent of residents were in poverty in 2005 and 20 percent of children under 18 were below poverty in 2005, little change for both since 2000.

3. Housing

- In 2005, the region achieved the second largest number of building permits (91,000 units) since 1989, though slightly lower than the 2004 level.
- The ratio between population increase and new housing units with building permits was 4.0 persons per unit between 2000 and 2005, the lowest since 1990 but was still significantly higher than the average household size of 3.1 persons.
- Homeownership rate (56 percent) increased by about 2 percent since 2000, but continued to be well below the national average (67 percent) and that of the other largest metropolitan regions.
- Sharp increases in home prices significantly outpaced the growth in household income and made housing much less affordable.
- Rental cost burden increased steadily with 53 percent of all renters paying 30 percent or more of their incomes, an increase of almost 5 percent since 2000.

4. Transportation

- The SCAG region has consistently been ranked as the most congested region in the nation.
- In 2005, the region experienced an increase in carpooling share and a decrease in drive-alone share of commuting both reversing the recent trends. These trend reversals also took place across the nation partly due to steep increases in gasoline prices. However, carpooling share in 2005 was still well below the 2000 level.
- Congestion appeared to stabilize in 2005 particularly in Los Angeles/Orange counties while continuing to increase in the Inland Empire.
- Average travel time to work in 2005 remained almost the same as in 2004.
- The total numbers of highway fatalities in 2005 remained almost the same as in 2004 while the rest of the state experienced increases.
- Total transit boardings increased by 16 percent in FY 2005, more than recovered the loss in the previous two years due to MTA labor strikes.

5. The Environment

- Between 2004 and 2005, the number of days exceeding federal 8-hour standards decreased in the South Coast and Ventura County but increased in the Mojave Desert and Salton Sea air basins. During the same period, the number of days for health advisory in the South Coast Air Basin increased from 4 to 11 days.
- The annual average concentrations of PM₁₀ were reduced in both the Salton Sea and South Coast but continued to exceed the federal standard between 2004 and 2005. In addition, neither the South Coast nor Mojave Desert air basin had exceedance regarding the federal 24-hour PM₁₀ standards in 2005.
- PM_{2.5} exceedance continued but with a reduced annual average concentration level.

- The region continued to meet federal attainment standards regarding CO.
- The region continued to rely on fossil fuels largely through imports. About 85 percent of the energy resources consumed in California were fossil fuel-based (e.g. petroleum, natural gas and coal). Also about 85 percent of natural gas and 63 percent of the petroleum consumed in California were imported.
- Growing significance of the energy demand and use implications for the future of Southern California and the entire globe.
- The use of fossil fuels in mobile sources contributed to over 85 percent of the region's NOx emissions, a precursor for Ozone pollution. In addition, California's use of fossil fuels contributed to 81 percent of the state's total climate change pollutants.

6. Education

- Student test scores for 7th grade continued to perform below the national median except for Orange and Ventura counties. Nevertheless, from 2003 to 2005, there were slight improvements in math test scores throughout the region
- High school dropout rate decreased noticeably in Los Angeles County but increased in San Bernardino and Riverside counties. In 2005, San Bernardino County overtook Los Angeles County with the highest high school dropout rate.
- Every county in the region had less than 40 percent of its high school graduates meeting UC/CSU entrance requirements.
- Between 2000 and 2005, there were noticeable improvements in educational attainment. During this period, the percentage of adults with at least a high school degree increased from 74 to 77 percent while the percentage of adults with at least a bachelor's degree increased from 25 to 27 percent.
- Nevertheless, among the nine largest metros, the SCAG region remained in last place in the percentage of adults (77 percent) with at least a high school diploma, and for at least a Bachelor's degree (27 percent).
- There continued to have persistent racial/ethnic disparity in educational performance.

7. Safety

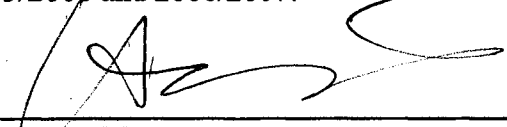
- Violent crime rates continued to decline by 11 percent from 2004 to 2005 with the most significant improvements in Los Angeles County.
- Juvenile felony arrest rates increased by 2 percent from 2004 to 2005 after a 3 percent increase during the previous period. The two consecutive years of increase were in contrast to the trend of continuous decline between 1990 and 2003.
- Between 2004 and 2005, hate crime activities also increased in the number of incidences (4 percent) and victims (2 percent) contrary to the trend of decline between 2001 and 2004.

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FISCAL IMPACT:

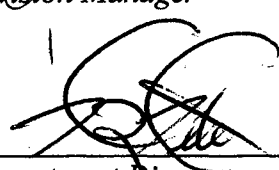
Resources needed for preparing the 2006 State of the Region have been included in the SCAG budget for Fiscal years 2005/2006 and 2006/2007.

Reviewed
by:



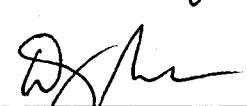
Division Manager

Reviewed
by:



Department Director

Reviewed
by:



Chief Financial Officer

ATTACHMENT 1

Benchmarks Task Force Membership

Hon. Ronald O. Loveridge, Mayor, City of Riverside, Task Force Chair
Hon. Debbie Cook, Councilmember, City of Huntington Beach, Vice Chair
Hon. Paul Bowlen, Mayor, City of Cerritos
Hon. Mona Field, Board of Trustees, Los Angeles Community College
Hon. Larry McCallon, Councilmember, City of Highland
Hon. Paul Nowatka, Councilmember, City of Torrance
Hon. Pam O'Connor, Mayor, City of Santa Monica
Hon. Bev Perry, City Clerk, City of Brea
Hon. Toni Young, Councilmember, City of Port Hueneme
Rick Bishop, Western Riverside Council of Governments
Jonathan Choi, Building Industry Association of Southern California
Kimberly Collins, San Diego State University (Imperial Valley Campus)
Fernando Guerra, Loyola Marymount University
Lee Hanson, California State University, San Bernardino
Dean Kubani, City of Santa Monica Environmental and Public Works
Jerilyn Lopez Mendoza, Environmental Defense
Dowell Myers, University of Southern California
Paul Ong, University of California, Los Angeles
Anil Puri, California State University, Fullerton
Arnold Sherwood, University of California, Berkeley
Ty Schuiling, San Bernardino Associated Governments
Arthur J. Shaw, Consulting Economist
Jim Stewart, Southern California Council on Environment and Development
Goetz Wolff, Center for Regional Employment Strategies and UCLA

ATTACHMENT 2

The State of the Region 2005 Program A Brief Description of the Objectives and Process

Objectives

1. Tracking and assessing the performance of Southern California in comparison to other metropolitan regions in the nation.
2. Disseminating information on the region's performance to assist public officials, business and community leaders in developing appropriate strategies to improve our communities.
3. Informing and educating community residents on how our region is performing.

Intended Audiences

1. Elected officials at local, state and federal levels.
2. Business and community leaders.
3. Key agency staff including local government chief administrative officers and planning directors.
4. Other key stakeholders and partners in regional planning.
5. Community groups and residents.

Implementation

1. With the guidance of a Benchmarks Task Force, which consists of elected officials and issue expert representatives in the region, SCAG staff collected and analyzed information regarding the performance of the region. Regional performance was assessed with respect to issues including demography, economy, housing, transportation, environment, education and public safety. A Report titled "*The State of the Region 2005*" was then prepared and released on January 5, 2006.
2. A total of 1,200 copies of *The State of the Region 2005* and 2,500 copies of the *Report Cards* have been distributed to many interested parties, including, for example:
 - Regional Council and Policy Committee members including more than 100 elected officials;
 - Chief County and City Administrators of 193 local governments in the region;
 - local government planning directors;
 - members of the state and congressional delegations; and
 - regional public libraries.
3. The complete Report and Report Card have been posted on the SCAG's home page (www.scag.ca.gov) since January 5, 2006 and has been downloaded more than 50,000 times.

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4. The press conference to release *The State of the Region 2005* on January 5, 2006 received very prominent media coverage throughout Southern California and beyond. Report coverage included 27 newspapers (including outside of the region), 11 TV stations and 4 radio stations. Specifically, newspaper coverage included the following:
 - Los Angeles Daily News
 - Orange County Register
 - Riverside Press Enterprise
 - San Bernardino County Sun
 - Ventura County Star
 - Inland Valley Daily Bulletin
 - Antelope Valley Press
 - Copley News Service
 - Hi-Desert Star
 - Los Angeles Business Journal
 - Long Beach Press Telegram
 - LA Voice
 - North County Times
 - Pasadena Independent
 - San Gabriel Valley Tribune
 - South Bay Daily Breeze
 - Victor Valley Daily Press
 - Korean Times
 - La Opinion
 - China Press
 - Chinese Daily News
 - Sing Tao Daily
 - San Jose Mercury News
 - San Diego Tribune
 - Daily Bulletin
 - Merced News
 - Sacramento Bee
5. In addition to the media coverage, SCAG staff has also received invitations and made presentations to public and private organizations in the region.
6. *The State of the Region* has been used as course reference materials in universities such as UCLA, UC Riverside and University of Southern California.
7. *The State of the Region* has been identified by the U.S. GAO as an example in the nation that contains a comprehensive indicator system.



Highlights of the 2006 State of the Region

***Regional Council
CEHD Policy Committee
December 14, 2006***

**Ping Chang, Program Manager
Performance Assessment and Monitoring
Data and Monitoring Division
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Overall Approach

- **Guided by the Benchmarks Task Force**
- **Build on the previous assessment of the 1990s**
- **Focus on 2000-2005 change, particularly during 2005**
- **Assess whether our region achieved absolute improvements**
- **Assess how our region performed relative to other large metropolitan regions**

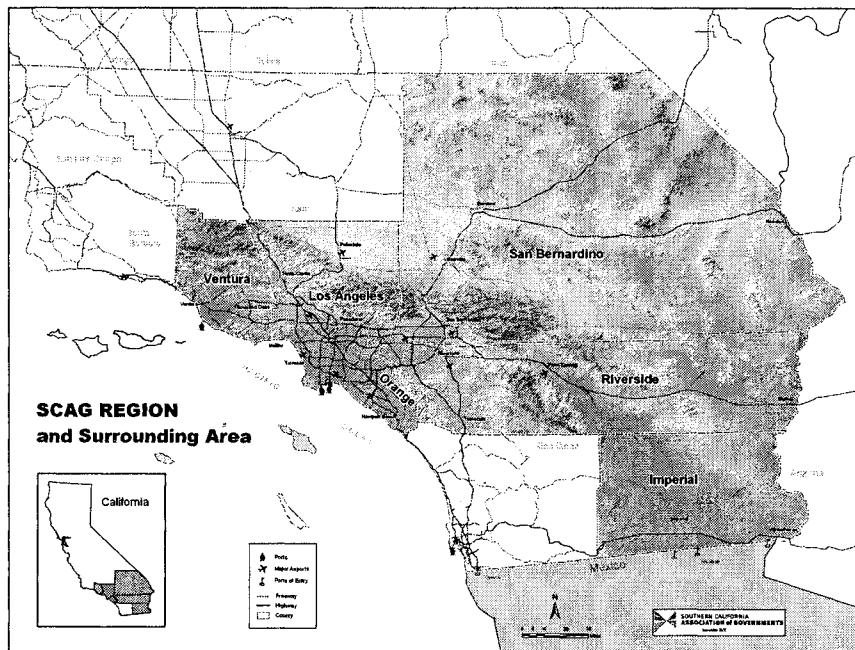
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2006 Report Issue Areas

1. Population
2. The Economy
3. Housing
4. Transportation
5. The Environment
6. Education
7. Safety

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Highlights of Findings

1. Population experienced slower growth in 2005 partly due to increased domestic outmigration. Continued the demographic transformation processes.
2. Achieved the lowest unemployment rate since 1988, however, income growth was at a much slower pace. Continued to experience high levels of poverty.
3. Homeownership rates have increased by 2 percentage points since 2000. Experienced record high housing prices and record low housing affordability.

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Highlights of Findings

4. Noticeable decrease in the share of drive-alone commuting reversing the recent trend of increase. Peak period congestion appeared to stabilize particularly in Los Angeles/Orange counties.
5. Some improvements in air quality particularly in PM_{10} and $PM_{2.5}$. Mixed performance in Ozone.
6. Continued reliance on fossil fuels largely through imports. Growing significance of the energy demand and use implications for the future of Southern California and the entire globe.

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Highlights of Findings

7. Some improvements in educational attainment but remained last among major metros.
8. Continuing decline in violent crime rates. However, there were slight increases in juvenile and hate crimes contrary to recent trends.

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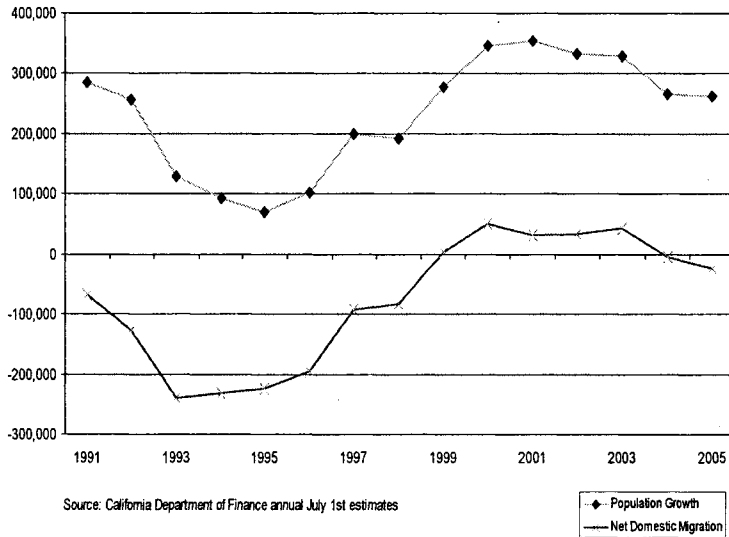


Highlights of Findings

1. After reaching its highest annual growth in 2001 since 1990, population in the region experienced slower growth partly due to increased domestic outmigration. Continued the demographic transformation processes.

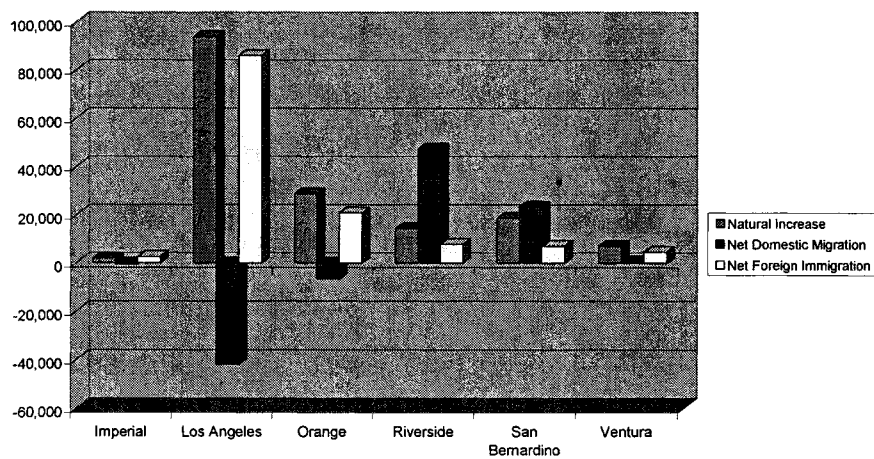
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Population Growth vs. Net Domestic Migration



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Population Growth - Types of Source by County, 2000-2005 (Annual Average)



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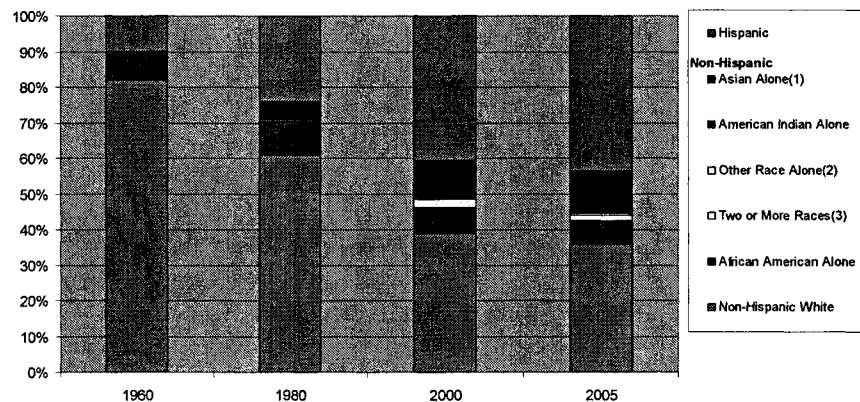


Demographic Transformation Continued:

- Increasing share of Hispanics and Asians.
- Decreasing share of the new immigrants and increasing share of settled immigrants.
- Growing share of the second generation immigrants.
- Continued aging of the population.

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Population by Race and Ethnicity



Notes: (1) "Asian Alone" also includes Pacific Islander.

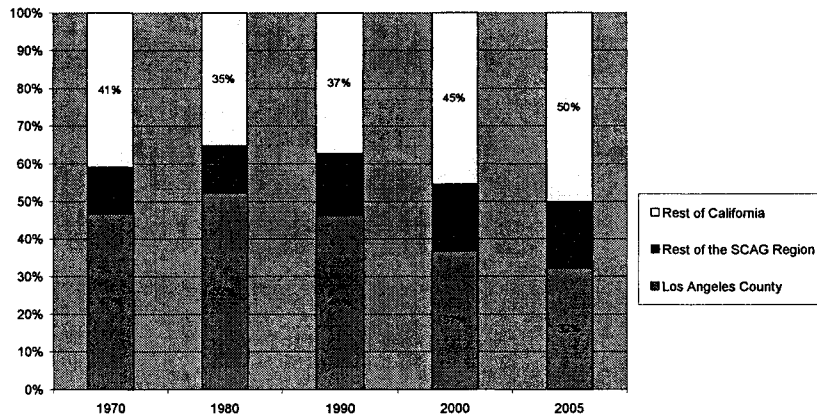
(2) "Other Race Alone" is too small to be shown.

(3) Only the 2000 and 2005 data included the "Two or More Races" category to which people may choose to belong.

Source: U.S. Census Bureau. Data in 1960 was estimated by James Allen and Eugene Turner. 2002. *Changing Faces, Changing Places*.

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Share of New Immigrant Population in California



Note: New immigrants are those immigrants who arrived in the U.S. within the last ten years (except for 2005 data is for those who arrived in the U.S. in 2000 or later).
Rest of California = California less the SCAG Region
Source: U.S. Census Bureau

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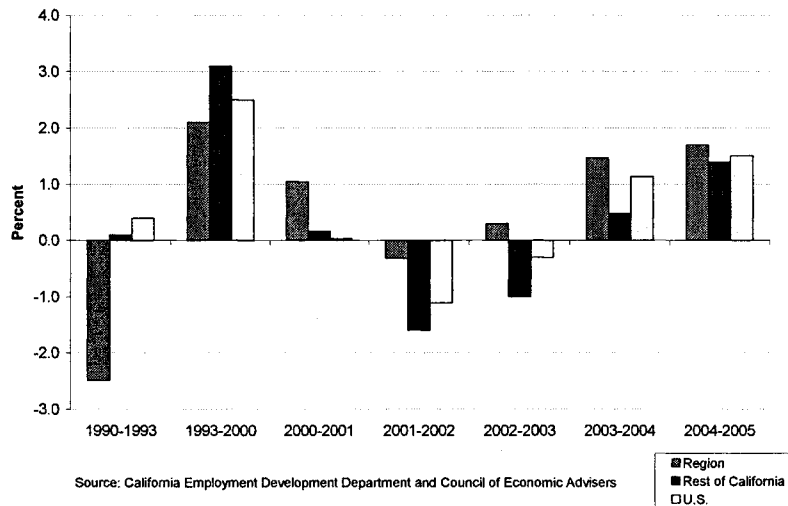


Highlights of Findings

- Achieved record low unemployment rate since 1988, however, income growth was generally at a much slower pace. Poverty rate remained higher than the national level.

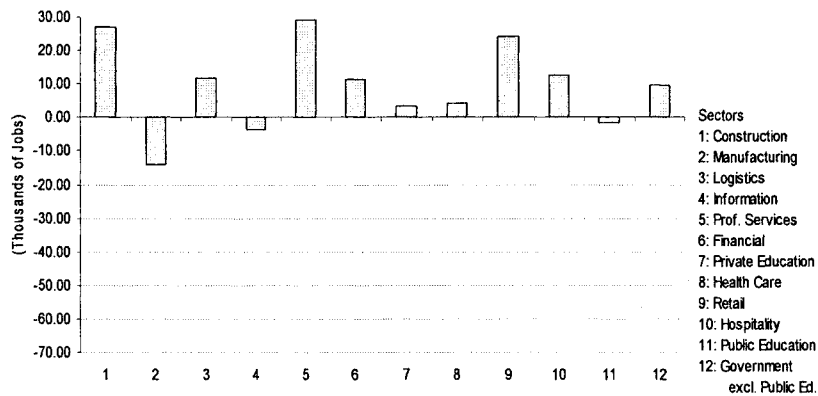
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Employment Change (Annual Average)




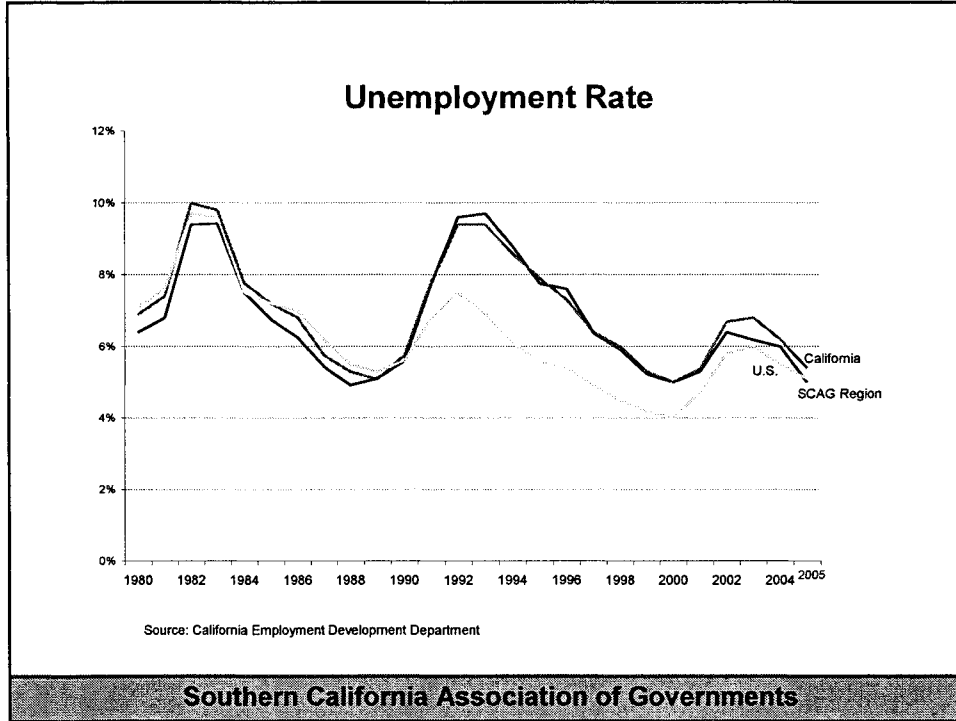
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Employment Change by Selected Sectors (2004-2005)



Financial = Finance, Insurance and Real Estate
 Logistics = Wholesale Trade, Transportation and Warehousing
 Information sector includes communications, publishing, motion picture production and internet service providers
 Source: California Employment Development Department

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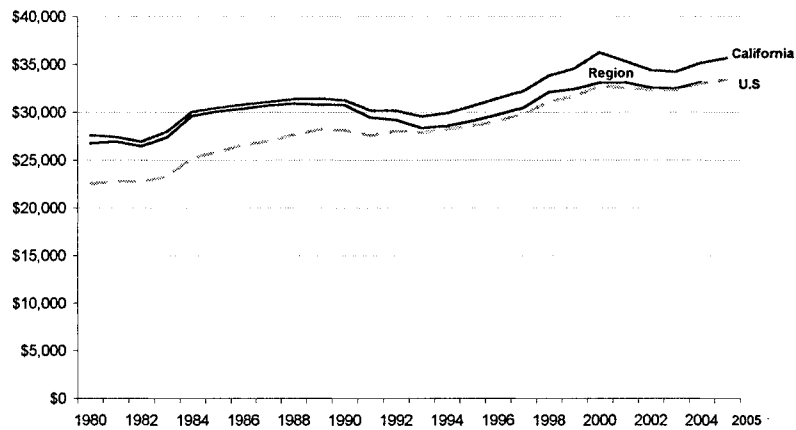


Real Average Payroll per Job

- Declined by 1.6 percent in 2005 after increasing by 1.7 percent in 2004

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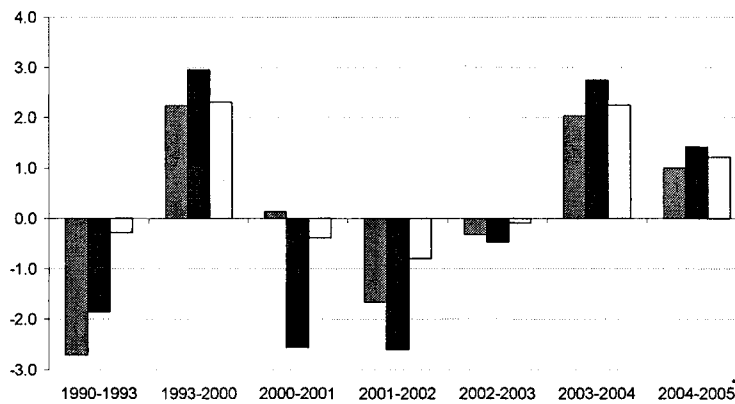
Real Personal Income Per Capita (2004 Dollars)



* Data for the SCAG Region in 2005 is not available
Source: U.S. Bureau of Economic Analysis

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Growth of Real Personal Income Per Capita (Annual Average)

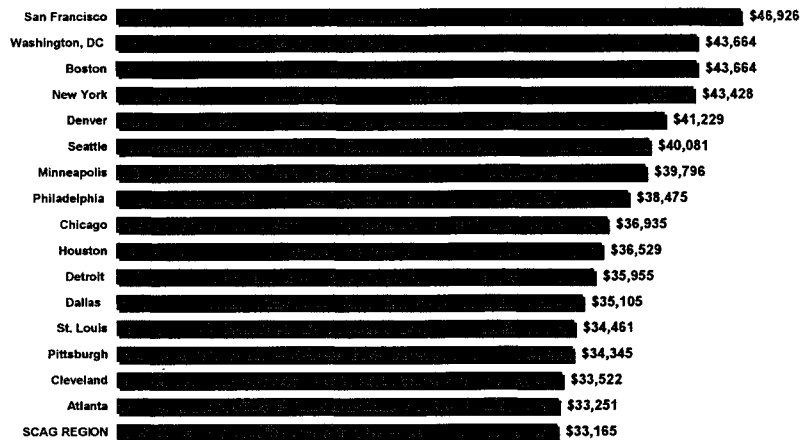


* Estimates for the SCAG Region
Source: U.S. Bureau of Economic Analysis

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Per Capita Income by Metropolitan Region 2004



Source: U.S. Bureau of Economic Analysis

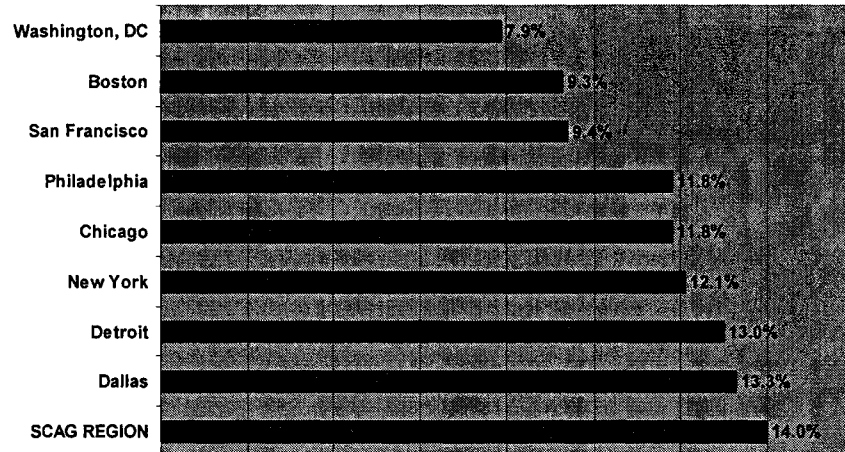
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Real median household income
- Declined slightly in 2005 by
0.5% to reach \$52,069 while
remaining the same at the
national level

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Persons in Poverty by Metropolitan Region, 2005



Source: U.S. Census Bureau, 2005 American Community Survey

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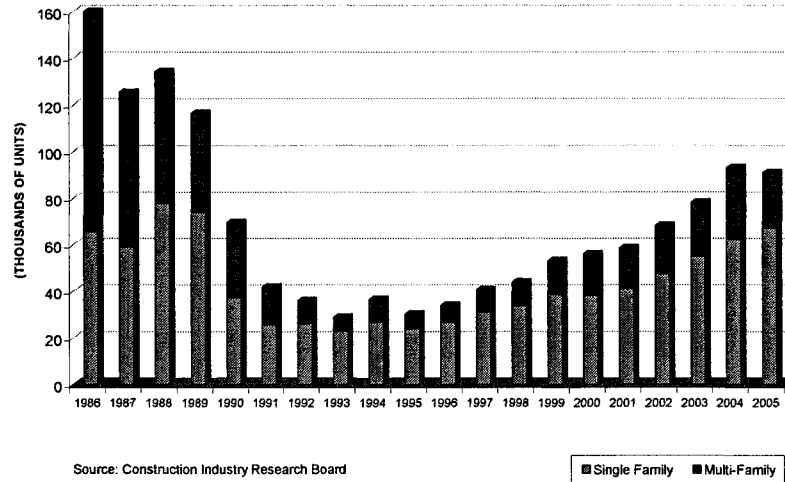


Highlights of Findings

3. High level of housing permit activities in 2005 though slightly lower than in 2004. Homeownership rates have increased by 2 percentage points since 2000. Experienced record high housing prices and record low housing affordability.

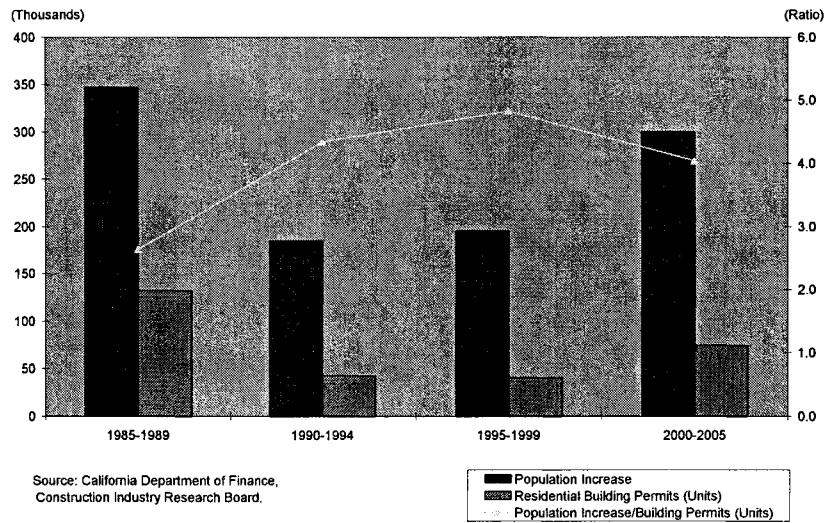
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Residential Building Permit Activity



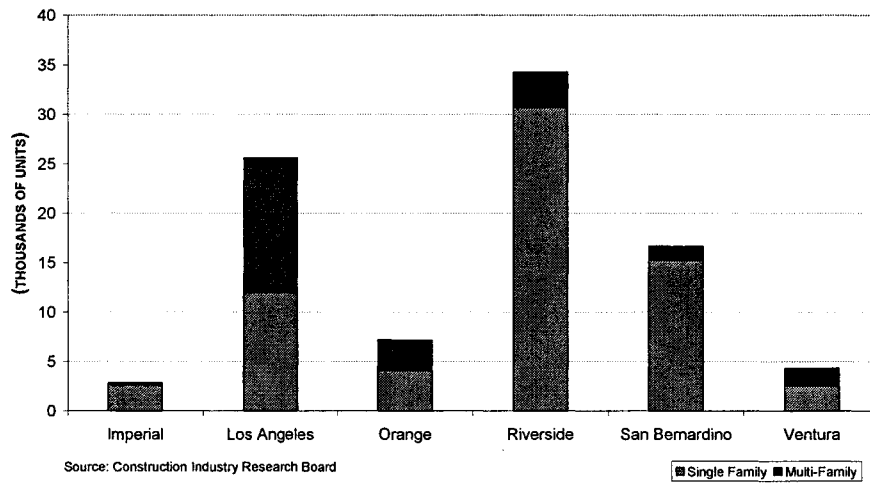
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Population Increase vs. Building Permits 1985-2005 (Annual Average)



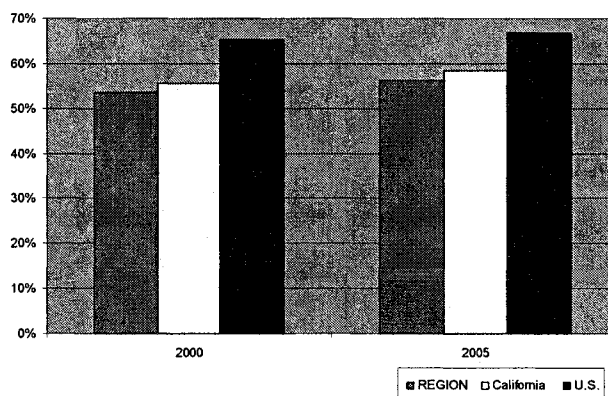
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Residential Building Permits by Housing Types, 2005



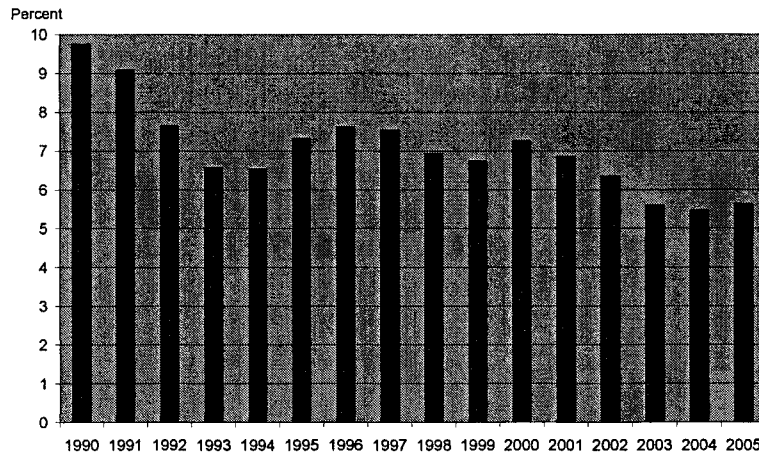
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Homeownership Rates



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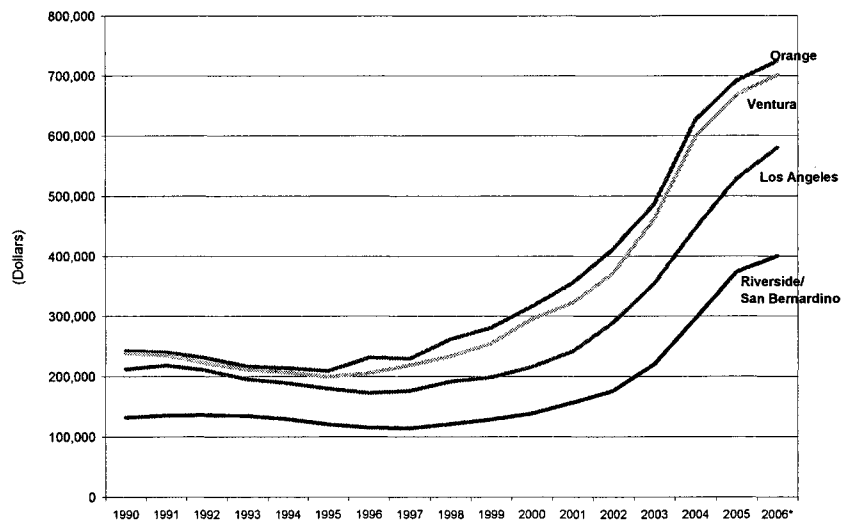
Average Mortgage Rate



Source: Real Estate Research Council of Southern California

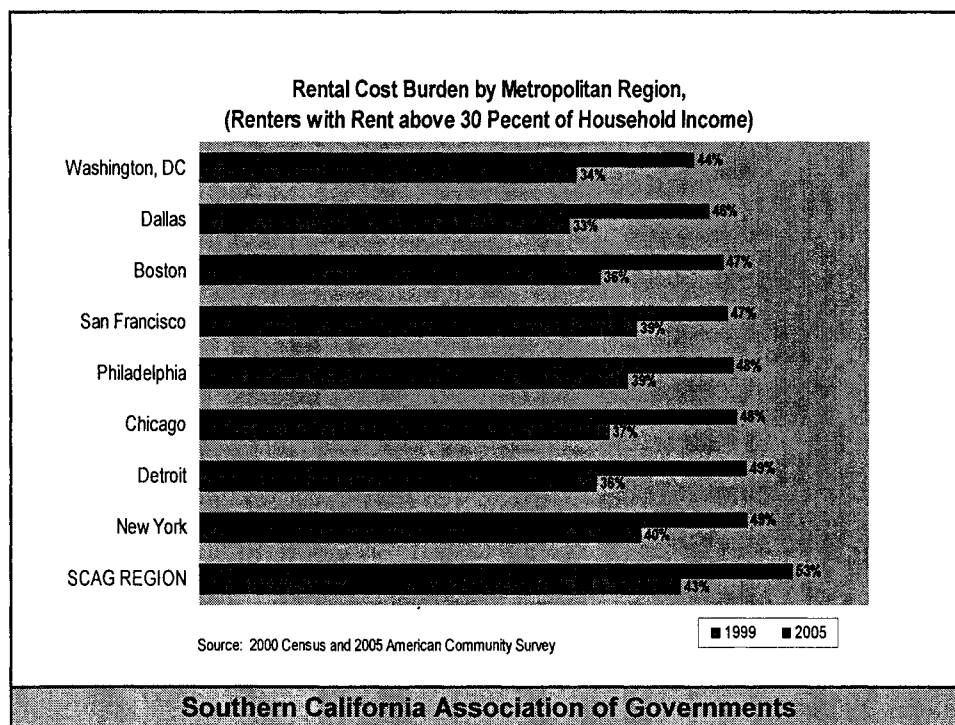
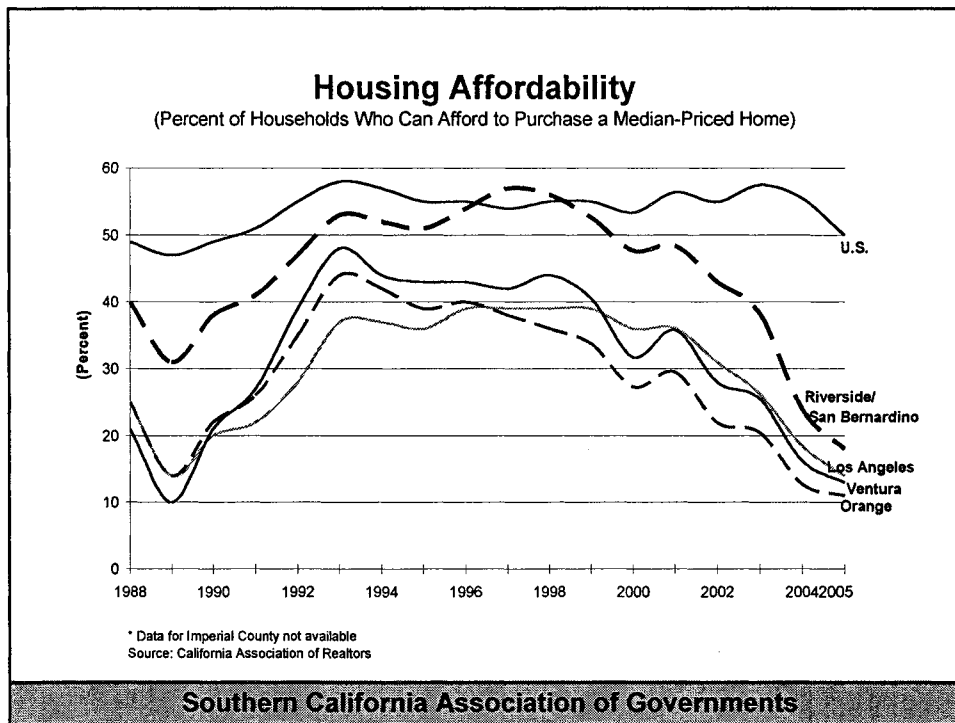
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Median Home Price (Existing Single-Family Homes in Current Dollars)



* Based on June 2006 median home prices
Source: California Association of Realtors, Imperial County data not available.

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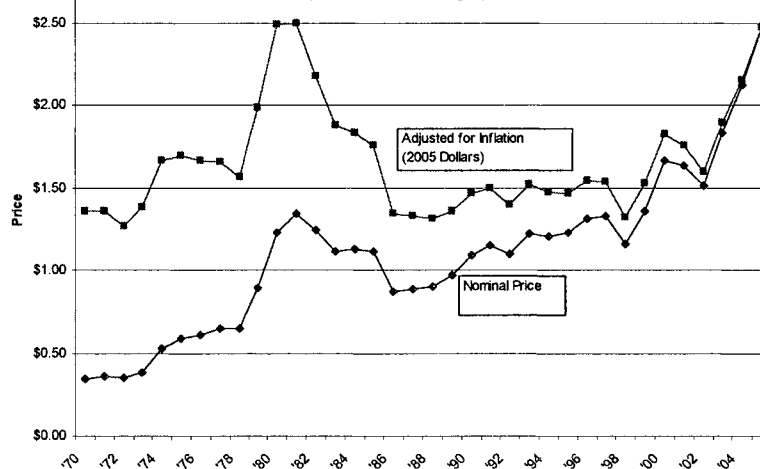


Highlights of Findings

4. Noticeable decrease in the share of drive-alone commuting reversing the recent trend of increase. Peak period congestion appeared to stabilize particularly in Los Angeles/Orange counties.

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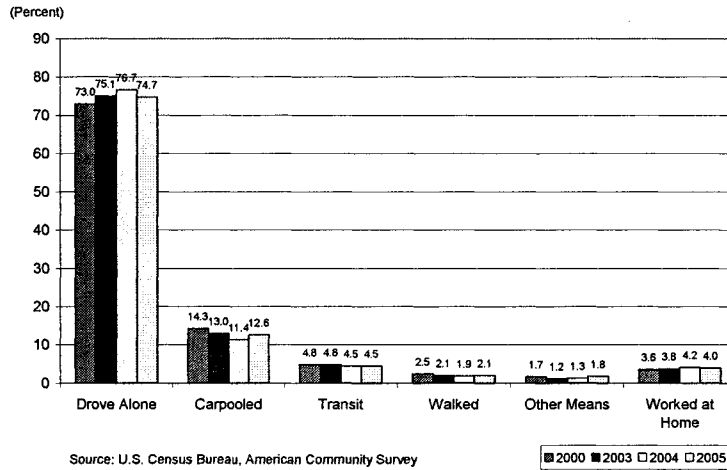
California Gasoline Prices per Gallon, 1970-2005
(Annual Average)



Source: California Energy Commission

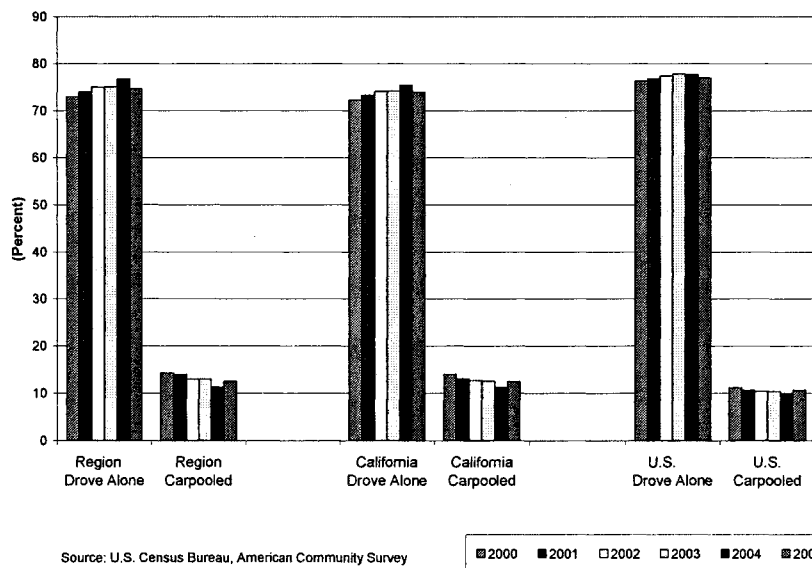
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Mode Choice to Work (Workers 16 Years and Over)



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Mode Choice to Work- Drive Alone and Carpool (Workers 16 Years and Over)



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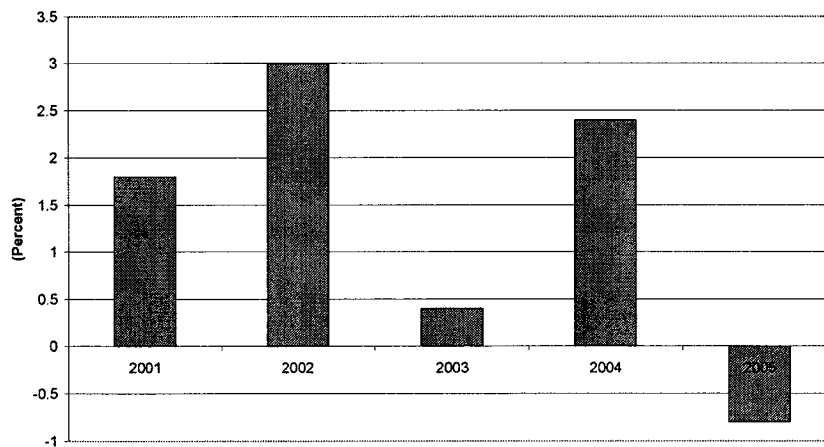


Average travel time to work

- At 29 minutes, almost the same as in 2004
- Slight decreases in Los Angeles and Orange counties while continuing to increase in the Inland Empire

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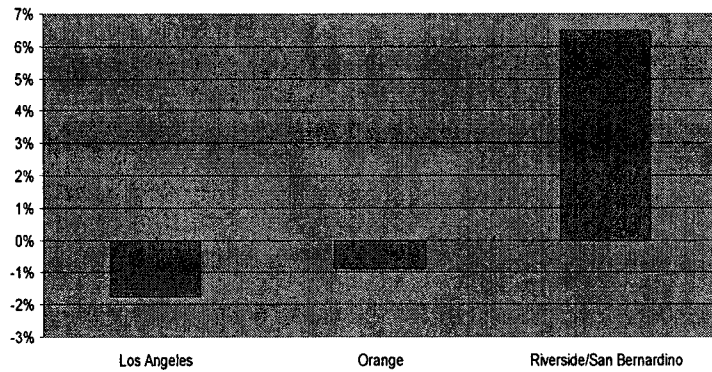
Vehicle Miles Traveled (VMT) (Change from the Previous Year)



Source: California Department of Transportation

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Freeway Congestion Level, 2004-2005



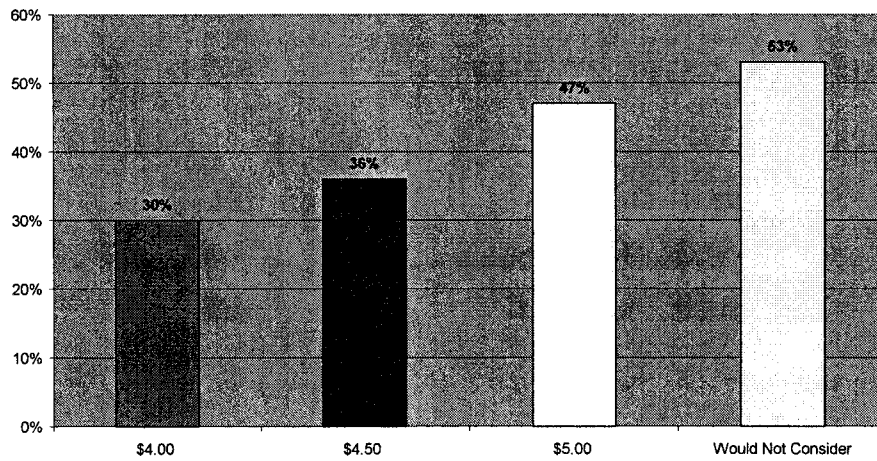
Note: Based on the travel time index that is the ratio of peak period travel time and free flow travel time. Data for Ventura and Imperial counties not available.

Source: Federal Highway Administration, Urban Congestion Report

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Gasoline Price Thresholds Affecting Mode Choice

Survey Question: At What Price Would You Consider An Alternative Mode?

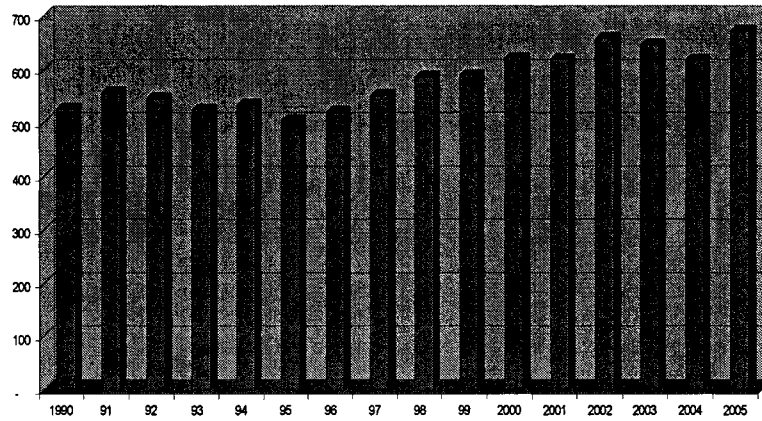


*Respondents were those who drove alone to work
Source: SCAG 2005 State of the Commute Survey

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Transit Boardings - All Major Operators

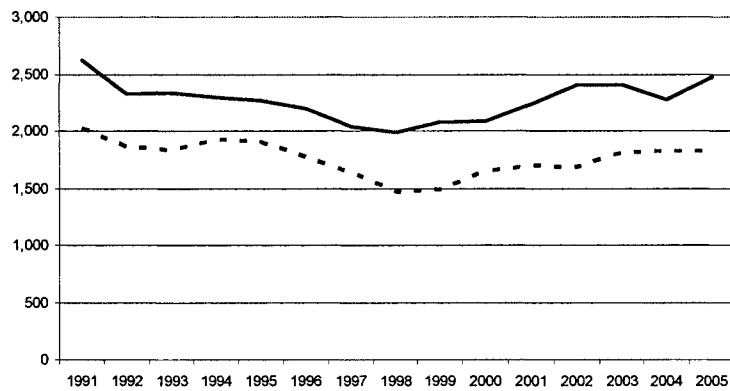
(Millions)



Source: National Transit Database and SCAG including preliminary estimates for 2005 data.

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Highway Accident Fatalities



Source: California Highway Patrol with 2005 preliminary data

— Rest of California
- - Region

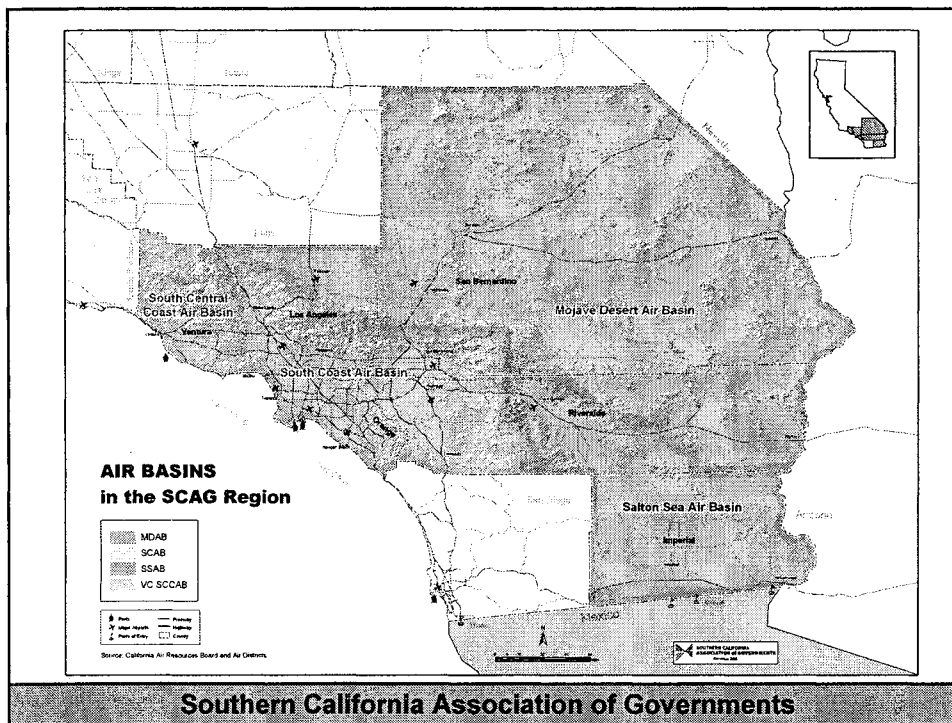
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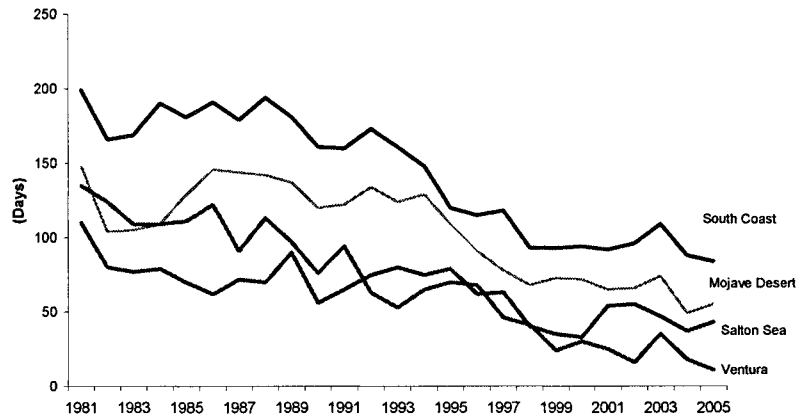
Highlights of Findings

5. Some improvements in air quality particularly in PM_{10} and $PM_{2.5}$. Mixed performance in Ozone with the number of days of health advisory increased in 2005 in the South Coast Air Basin.

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Ozone Pollution in Non-attainment Air Basins (Number of Days Exceeding Federal Eight-Hour Standard)

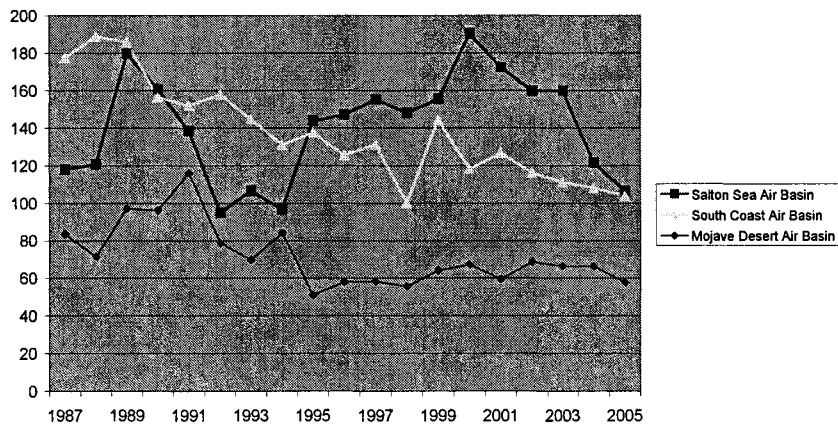


* Ventura County is part of the South Central Coast Air Basin

Source: California Air Resources Board and South Coast Air Quality Management District

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PM₁₀ in Non-attainment Air Basins (Percent of Federal Annual Average Standard*)

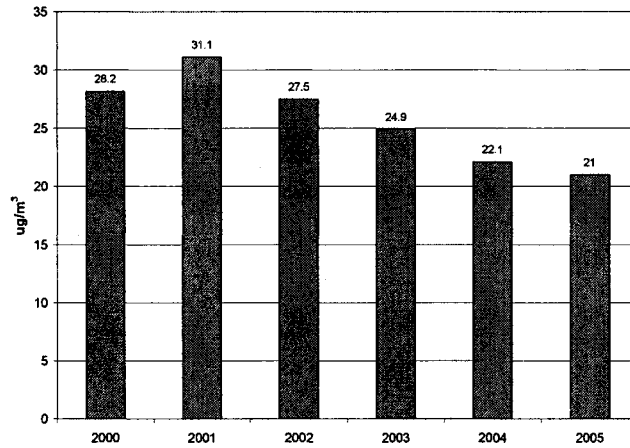


* Above 100 percent means exceeding the federal standard. Also PM₁₀ condition may be impacted significantly by natural events or pollution transport.

Source: California Air Resources Board

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PM_{2.5} Pollution in the South Coast Air Basin (Annual Average Concentration*)



* Federal annual average standard for PM_{2.5} is 15 ug/m³
Source: South Coast Air Quality Management District

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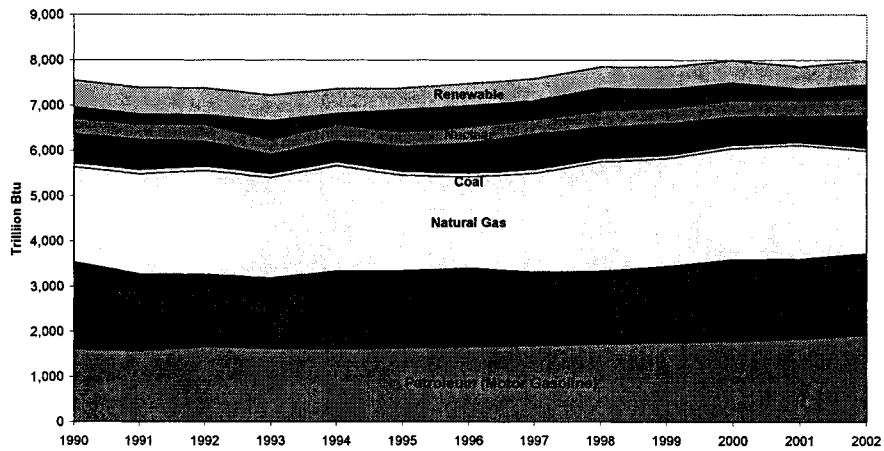


Highlights of Findings

6. Continuing reliance on fossil fuels largely through imports. Growing significance of the energy demand and use implications for the future of Southern California and the entire globe.

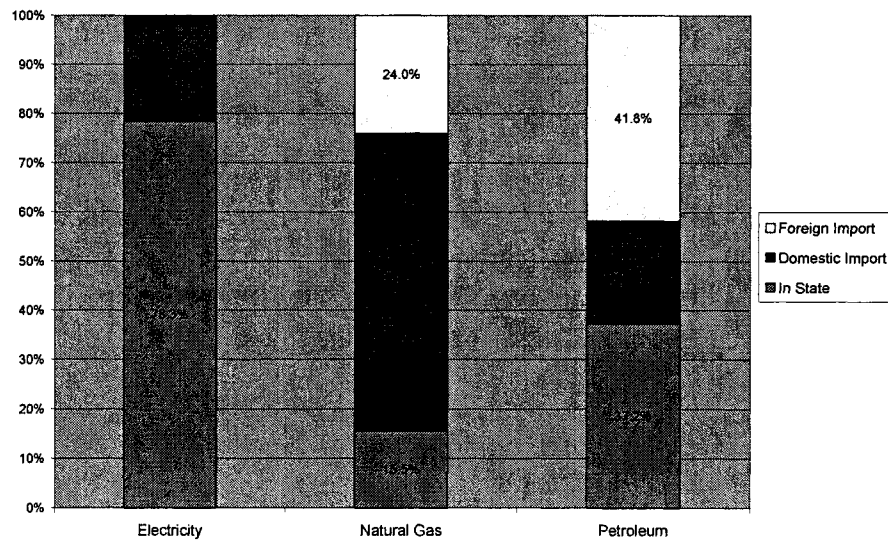
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California Energy Consumption Estimates by Source



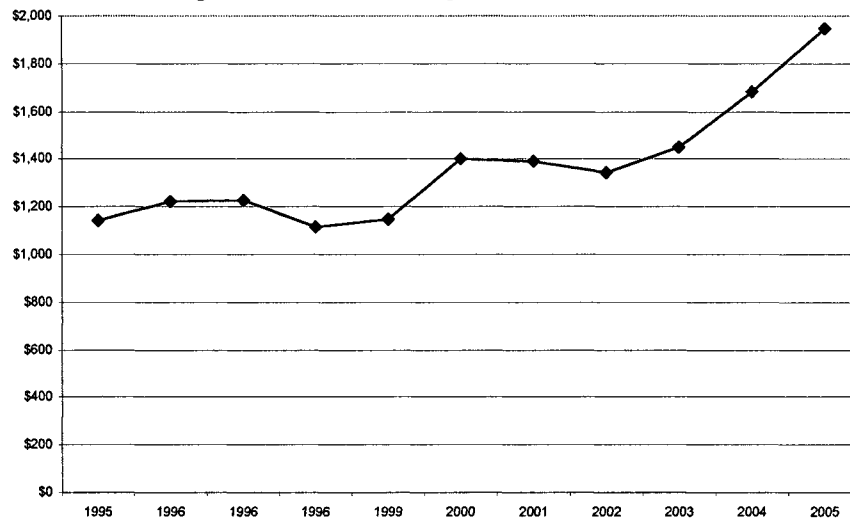
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California's Major Sources of Energy, 2005



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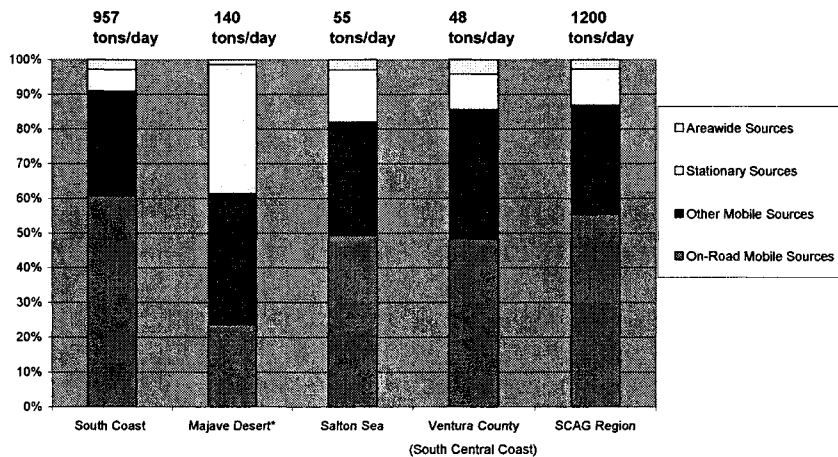
Average Household Expenditure on Gasoline



Source: Mark Cooper, 2005. The Impact of Rising Prices on Household Gasoline Expenditures. Consumer Federation of America.

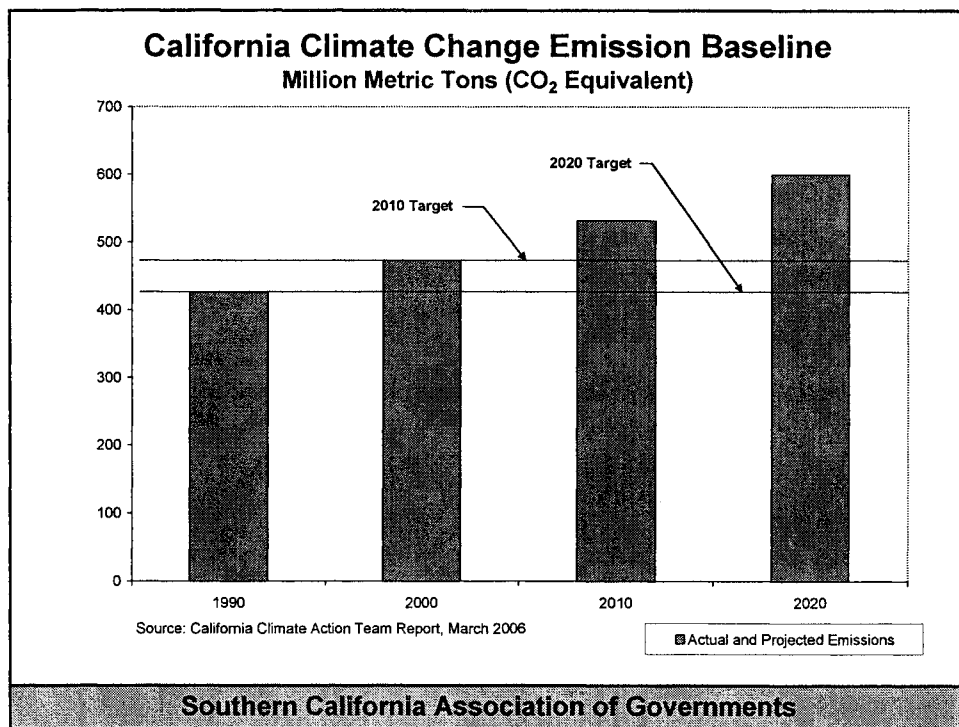
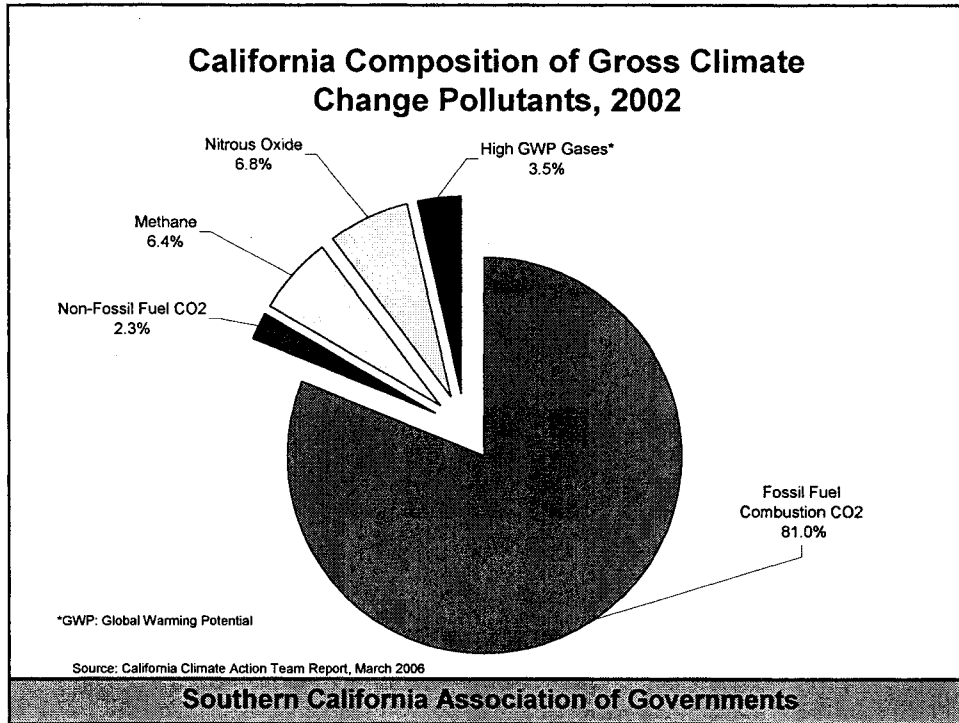
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NOx Emissions by Air Basin and Source, 2005



* Excluding areas within Kern County that is outside the SCAG region
Source: California Air Resources Board

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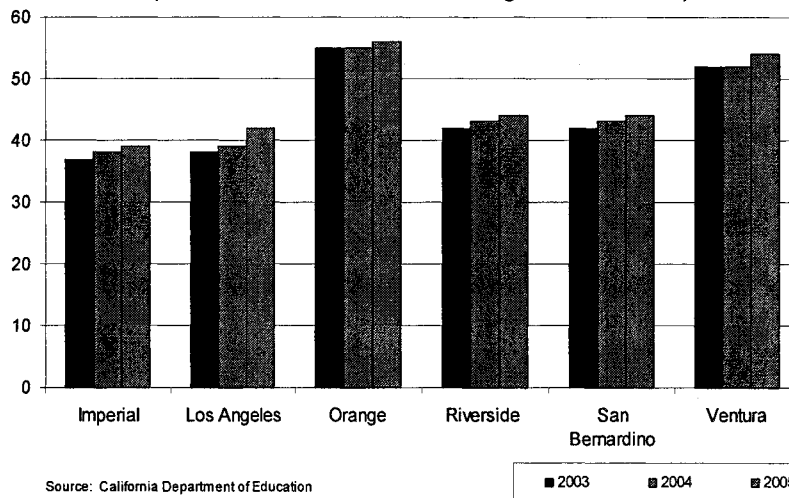


Highlights of Findings

7. Some improvements in educational attainment but remained last among major metros.

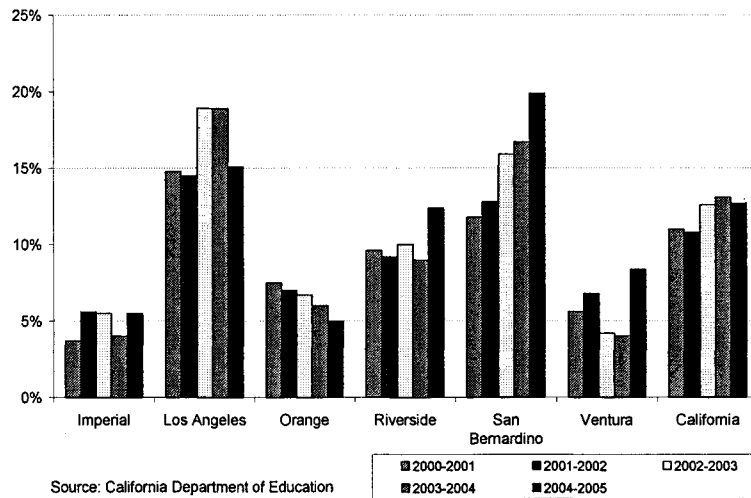
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Math Test Scores for 7th Grade
(National Percentile Rank of Average Student Score)



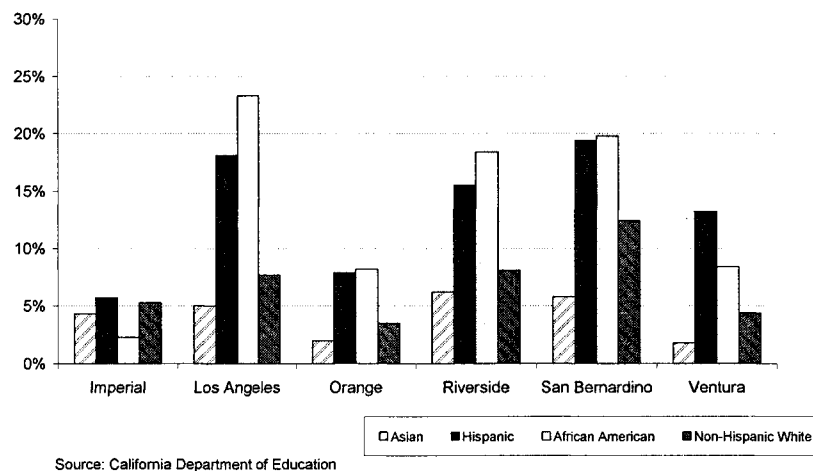
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Dropout Rates in Public High Schools



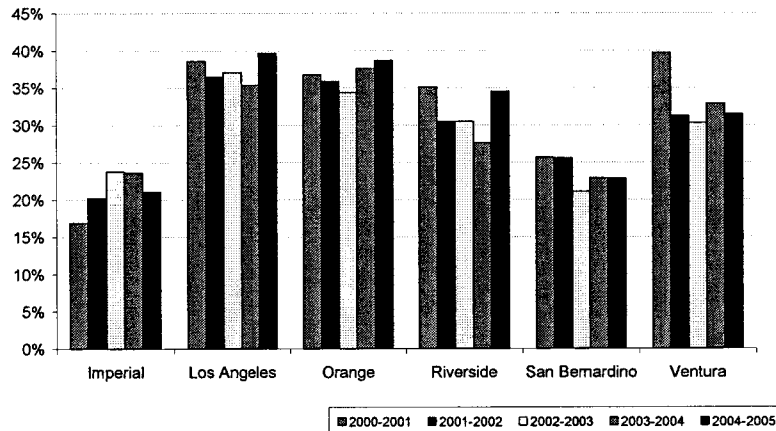
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Dropout Rates by Race/Ethnicity in Public High Schools, 2004-2005



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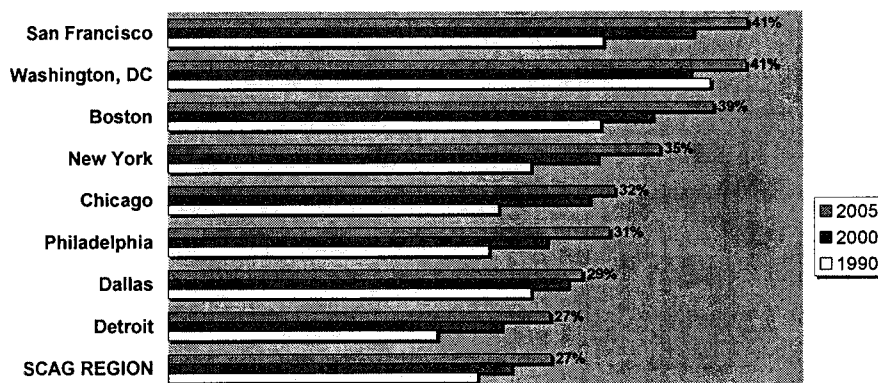
High School Graduates Completing Courses Required for UC or CSU Entrance



Source: California Department of Education

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Educational Attainment by Metropolitan Region (Bachelor's Degree or Higher*)



*Percent of persons 25 years and over

Source: 1990 and 2000 Census

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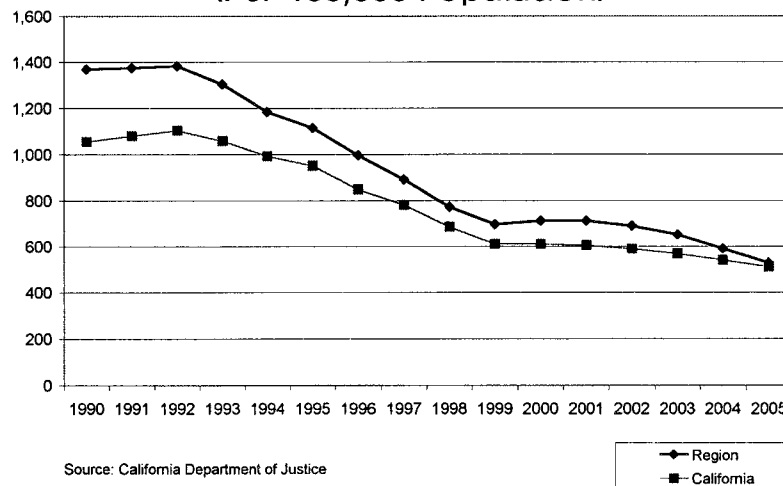


Highlights of Findings

8. Continuing decline in violent crime rates. However, there were slight increases in juvenile and hate crimes contrary to recent trends.

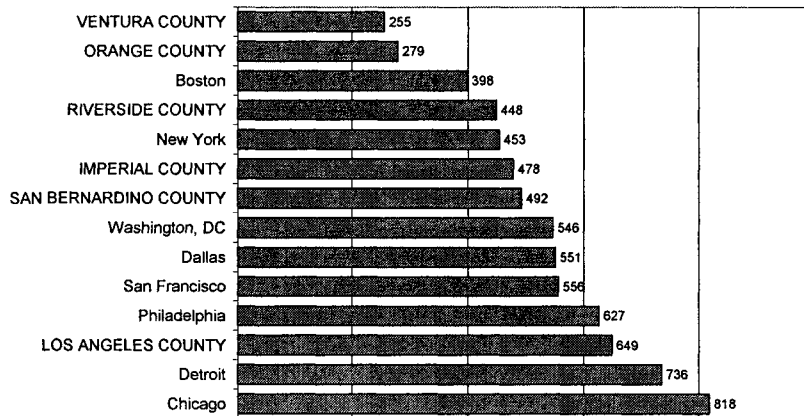
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Violent Crimes
(Per 100,000 Population)



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Violent Crimes by Metropolitan Area, 2005 (Per 100,000 Population)

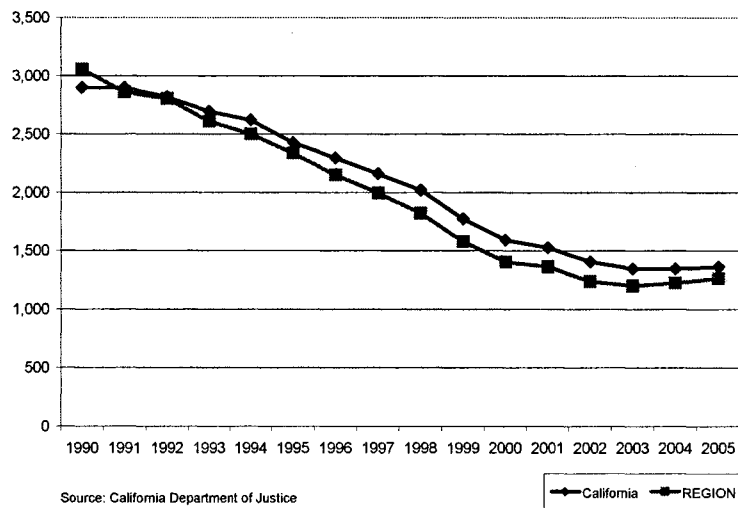


*Based on Metropolitan Statistical Area unless noted otherwise. Chicago data is based on Cook County data.

Source: FBI 2005 Uniform Crime Report; Illinois State Police 2005 Uniform Crime Report

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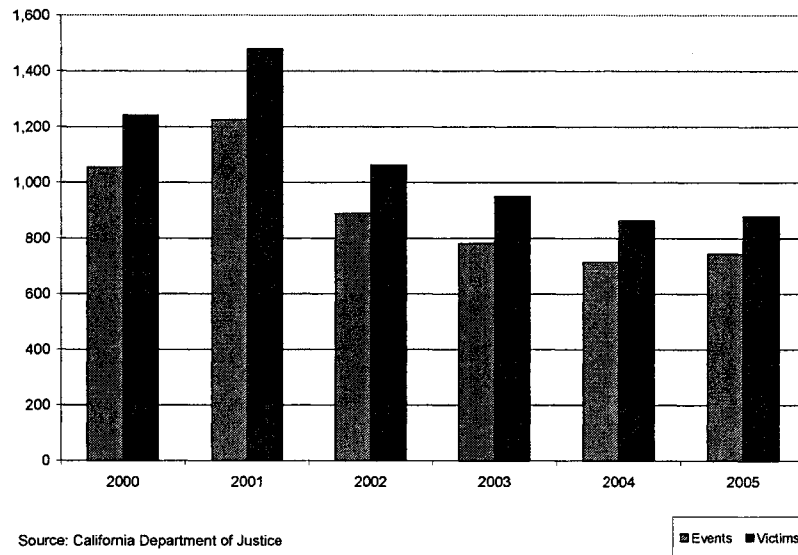
Juvenile Felony Arrests (Per 100,000 Population Aged 10-17)



Source: California Department of Justice

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Hate Crime Activities



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***Only by working together
toward a shared vision can the
SCAG region successfully run
the competitive race for a
better tomorrow.***

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End of Presentation

Thank You!

Questions?

Comments?

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